



AMERICA INVESTS IN SOUTH AFRICA

"All of us share a common vision for the future of Africa. We look to the day when prosperity for Africa is built through trade and markets."

*President George W. Bush
January 15, 2003*



BACKGROUND

The U.S. has a strong tradition of promoting free trade, combining a free enterprise international economic policy with a dynamic, competitive American economy and society. As the world's largest importer, the U.S. bought over \$1 trillion in goods from the rest of the world in 2003.

The African Growth and Opportunity Act (AGOA) expands trade between the United States and sub-Saharan Africa by allowing almost all products from AGOA-eligible countries to enter the U.S. duty free. AGOA added over 1,800 products to the list of eligible duty-free products, bringing the total number to about 6,500. AGOA aims to promote free markets, economic reform and growth in Africa.

South African exports to the U.S. for 2002 were \$4.2 billion, a decline by 4 percent from 2001. This was largely due to the global economic slowdown and a 30 percent fall in the value of platinum exported to the U.S. South Africa's AGOA exports, however, increased by 45 percent from \$923 million in 2001 to \$1.34 billion in 2002. Increases in the growth of AGOA exports continued during early 2003 with vehicles, iron and steel, fruit juices and apparel products performing the best. South Africa's trade surplus with the U.S. for the first four months of 2003 increased to \$734 million from \$467 million for the corresponding period in 2002.

South Africa is the largest market for U.S. exports in sub-Saharan Africa, reaching \$2.4 billion in 2002. About 20 percent of U.S. exports to South Africa are classified as "machinery and mechanical appliances". The second largest category (13 percent) is "aircraft and parts" while "vehicles and parts" is around 12 percent. Examples of specific items imported from the U.S. are passenger cars, dump trucks, cranes, bulldozers, television and sound recorders, computers and medical and surgical instruments. AGOA was also beneficial to U.S. companies doing business in South Africa. For example the U.S. freight forwarders and shippers have reported growth in volumes and revenue with one U.S. company reporting 195 percent growth in terms of number of shipments.

WHAT IS THE U.S. MISSION DOING?

- Supporting the United States Trade Representative in negotiations on a U.S.-Southern Africa Customs Union (SACU) Free Trade Agreement (FTA). The negotiations were officially launched in June 2003 in Pretoria.
- Working with South African government and business to publicize opportunities under AGOA.
- Facilitating U.S. investment in South Africa that leads to increased jobs and incomes, as well as use of American equipment and technology.
- Encouraging the South African government to promote policies, both international and domestic, which will liberalize rather than impede trade.
- Encouraging support for U.S. proposals at the WTO to liberalize trade in agriculture, non-agricultural goods, and services.
- Encouraging South Africa to improve protection of intellectual property rights by enacting stronger copyright protection laws and enforcing more effectively its laws against piracy.
- Helping U.S. businesses, both those based in the United States and those already invested in South Africa, to advance their economic interests in South Africa in a fair, competitive environment.

U.S. COMPANIES IN S.A.

- About 800 American companies, including subsidiaries, agents, distributors and franchisees, do business in South Africa. They employ over 100,000 people and the foreign direct investment by U.S. companies in South Africa stood at R19.6 billion at the end of 2000.
- U.S. companies spend on average around R1.5 billion per annum on corporate social responsibility programs such as burn units, day care centers, clinics, AIDS projects, programs to combat abuse of women and children, and literacy and education facilities. Each year these companies spend millions on training and skills development for their employees.

United States Embassy in South Africa

WHAT HAS HAPPENED?

- Total South African exports to the United States in 2002 have had a direct impact on over 90,000 jobs in South Africa.
- Over 31% of South African exports to the United States in 2002 entered under AGOA preferences, and these had a direct impact on over 25,000 South African jobs.
- In the transportation sector alone, South Africa's AGOA exports increased from \$300 million in 2001 to \$544 million in 2002, accounting for 88% of total exports in this sector. This included over 20,000 BMW Series-3 automobiles.
- Secretary of Commerce Donald Evans visited South Africa in November 2002.
- Mauritius hosted the annual AGOA Forum in January 2003.
- In his second visit, U.S. Trade Representative Robert Zoellick came to South Africa in January 2003 and met with his SACU counterparts to announce the upcoming FTA negotiations.
- President Bush announced he would seek an extension of AGOA.
- The United States sponsored a study tour in Washington in March 2003 for 24 negotiators from SACU.
- The Administration published regulations to implement the new provisions of the "AGOA II" legislation allowing greater access by sub-Saharan Africa to the U.S. apparel market.



USTR Robert Zoellick during his visit to South Africa

WHAT'S NEXT?

- Negotiations on the US-SACU Free Trade Agreement continue with the objective of completion by the end of 2004.

EXAMPLES OF SOUTH AFRICAN AGOA EXPORTS TO THE UNITED STATES

- * Vehicles and parts
- * Apparel
- * Flat-rolled iron products
- * Fruit juices
- * Wine
- * Footwear

USEFUL WEBSITES

U.S. Trade Representative:

www.ustr.gov/regions/africa/growth.html
www.AGOA.gov

Department of State:

www.usinfo.state.gov/topical/econ

Department of Agriculture:

www.usda.gov

Department of Commerce:

www.commerce.gov

U.S. Customs Service:

www.customs.gov

MAJOR PRODUCTS EXPORTED BY SOUTH AFRICA TO THE U.S. IN 2002 IN \$ MILLIONS

